

AGENDA

BOARD OF RETIREMENT

Boardroom

832 12th Street Suite 600 Modesto, CA 95353

December 14, 2021

1:30 p.m.

The Board of Retirement welcomes you to its meetings, which are regularly held on the fourth Tuesday of each month. Your interest is encouraged and appreciated.

CONSENT/ACTION ITEMS: Consent matters include routine administrative actions and are identified under the Consent Items heading. All other items are considered to be action items "Action" means that the Board may dispose of any item by any action, including but not limited to the following acts: approve, disapprove, authorize, modify, defer, table, take no action, or receive and file.

BOARD AGENDAS & MINUTES: Board agendas, minutes and copies of items to be considered by the Board of Retirement are customarily posted on the Internet by Friday afternoon preceding a meeting at the following website: www.stancera.org.

AUDIO/VIDEO: All Board of Retirement regular meetings are audio and visually recorded. Audio/Video recordings of the meetings are available after the meetings at <http://www.stancera.org/agenda>.

NOTICE REGARDING NON-ENGLISH SPEAKERS: Board of Retirement meetings are conducted in English and translation to other languages is not provided. Please make arrangements for an interpreter if necessary.

Pursuant to California Government Code section 54953, the StanCERA Board of Retirement ("Board") is authorized to conduct its meetings via teleconference during the COVID-19 public health emergency.

Because of the COVID-19 public health emergency, StanCERA's offices, including the StanCERA boardroom, are currently closed to public access. Members of the public who wish to attend Board meetings may do so by teleconference, by calling (209) 689-0007. The access code is 414752.

If you wish to make a general public comment during the Public Comment section of the meeting, or if you wish to comment on a specific agenda item, please press 5* on your phone to alert the Chair that you wish to speak. As permitted by Gov. Code § 54954.3(b)(1), each public comment is limited to three minutes.

You may also submit public comments in writing. If you wish to make a general public comment or a comment on a specific agenda item in writing, please submit your comment via email or fax no later than 4:30 p.m. on the day before a Board meeting. Comments can be submitted via email at gomesk@stancera.org or via fax at (209) 558- 4976. If your comment pertains to a specific agenda item, please include the agenda item number in the subject line. As permitted by Gov. Code § 54954.3(b)(1), each public comment is limited to 400 words. Comments submitted in writing will be read aloud during the meeting.

In compliance with the Americans with Disabilities Act, if you require an accommodation, auxiliary aid, or service in order to participate in this meeting, please contact StanCERA at (209) 525-6393 as far in advance as possible but no later than 48 hours before the scheduled event.

Agendas and minutes are on our website at www.stancera.org.

1. Call Meeting to Order
2. Pledge of Allegiance
3. Roll Call
4. Announcements
5. Public Comment
6. Emergency Declaration
 - a. AB-361
Agenda Item [View](#) Attachment 1 [View](#)
7. Consent Items
 - a. Approval of the November 23, 2021 Meeting Minutes [View](#)
 - b. Applications for Service Retirement(s) – **Government Code Sections 31499.14, 31670, 31662.2, 31810 31700** See attachment for details. [View](#)
 - c. Information Technology Solutions (ITS) Project [View](#)
 - d. Investment Matrix [View](#)
 - e. Conference Summaries [View](#)
 - f. 2022 StanCERA Board Meeting Dates [View](#)
8. NEPC – Investment Consultant
 - a. November Flash Verbal Report
9. Investment

None
10. Administrative
 - a. Cheiron’s Presentation of the June 30, 2021 Preliminary Actuarial Valuation Results and 2018-2021 Experience Study [View](#)
 - b. Resolution for Northern Trust for Banking Services
Agenda Item [View](#) Attachment 1 [View](#)

11. Closed Session

- a. Discussion and Action regarding the Executive Director's Annual Review Public Employment Government Code Section 54954.5
- b. Conference with Legal Counsel – Pending Litigation – One Case:
O'Neal et al v. Stanislaus County Employees' Retirement Association
Stanislaus County Superior Court Case No. 648469
Government Code Section 54956.9(d)(1)
- c. Conference with Legal Counsel – Pending Litigation – One Case:
Stanislaus County Employees' Retirement Association v. Buck Consultants,
LLC, Mediation Pursuant to Evidence Code Sections 1115, 1119, 1152
Government Code Section 54956.9d)(4)

12. Members' Forum (Information and Future Agenda Requests Only)

13. Adjournment

December 14, 2021

Retirement Board Agenda Item

TO: Retirement Board

FROM: Fred Silva, StanCERA General Counsel
Rick Santos, Executive Director

I. SUBJECT: A Resolution of the Board of the Stanislaus County Employees' Retirement Association Acknowledging the Proclamation of a State of Emergency and Authorizing Remote Teleconference Meetings of the Stanislaus County Employees' Retirement Association for the Period of December 14, 2021 to January 13, 2022.

II. ITEM NUMBER: 6.a

III. ITEM TYPE: Discussion and Action

IV. STAFF RECOMMENDATION: Approve Resolution of the Board of the Stanislaus County Employees' Retirement Association acknowledging the proclamation of a state of emergency by Executive Order N-15-20 issued on March 4, 2020, as extended by Executive Order N-21-21 on November 10, 2021 and acknowledged by the Stanislaus County Public Health Officer's recommendation issued on September 22, 2021, which together permit the legislative bodies of Stanislaus County Employees' Retirement Association to conduct remote teleconference meetings pursuant to Assembly Bill 361 (AB 361) during the period of December 14, 2021 through January 13, 2022.

V. ANALYSIS: AB-361 allows local government entities to conduct meetings via teleconference without complying with certain Brown Act requirements when the following conditions are in place:

Condition 1: The Governor has proclaimed a state of emergency; and

Condition 2: State or local officials have imposed or recommended measures to promote social distancing.

The first condition is satisfied by the Governor's March 4, 2020 state of emergency proclamation, which has now been extended three times, including most recently on November 10, 2021 ([Executive Order N-21-21](#), extending state of emergency provisions through March 31, 2022).

The second condition is satisfied by the Stanislaus County Public Health Officer's September 22, 2021 recommendation issued in response to AB-361, stating "I recommend that physical/social distancing measures be practiced throughout our Stanislaus County communities to minimize the spread of COVID-19, including implementation of the newly enacted AB 361 to maintain social distancing by legislative bodies of our local agencies. This recommendation is made due to the continued threat of COVID-19 in the community."

AB-361 was signed on September 17, 2021 and went into effect on October 1, 2021. AB 361 replaced some aspects of Executive Order N-29-20, which allowed local legislative bodies to hold remote teleconference meetings while the COVID-19 public health crisis is in effect. Since the size of StanCERA's Board room prevents compliance with social distancing

measures if the public were to attend meetings in person, attendance by the public in a county with high transmission rates creates potential health issues for StanCERA employees and the public. Therefore, to continue remote teleconference meetings, AB-361 requires that the Board consider the circumstances of the state of emergency and make findings via resolution by majority vote to hold remote teleconference meetings. If such findings are made, a resolution must be passed by a majority of the Board citing these circumstances. The Board will need to complete such recertification every 30 days or at each Board meeting following adoption of this Resolution, until Government Code section 54953 sunsets by operation of law on January 1, 2024 or there is no longer a state of emergency in effect.

VI. RISK: NONE

VII. STRATEGIC PLAN: N/A

VIII. ADMINISTRATIVE BUDGET IMPACT: NONE

RESOLUTION NO. 2021-__

A RESOLUTION OF THE BOARD OF THE STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION ACKNOWLEDGING THE PROCLAMATION OF A STATE OF EMERGENCY BY GOVERNOR GAVIN NEWSOM ON MARCH 4, 2020 AND ADDITIONAL ORDERS AND RECOMMENDATIONS ISSUED BY THE STANISLAUS COUNTY PUBLIC HEALTH OFFICER, AND AUTHORIZING REMOTE TELECONFERENCE MEETINGS OF THE LEGISLATIVE BODIES OF THE STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION FOR THE PERIOD OF DECEMBER 14, 2021 TO JANUARY 13, 2022, PURSUANT TO BROWN ACT PROVISIONS

WHEREAS, the Board of Retirement ("Board") for the Stanislaus County Employees' Retirement Association ("StanCERA") is committed to preserving and promoting public access and encouraging participation in meetings of the Board and its legislative bodies; and

WHEREAS, all meetings of the Board and its legislative bodies are open and public, as required by the Ralph M. Brown Act (Gov. Code §§ 54950-54963), so that any member of the public may attend meetings and observe and participate in the conducting of business by the Board and its legislative bodies; and

WHEREAS, Government Code section 54953(e) allows local government entities such as the Board and its legislative bodies to conduct meetings via teleconference without complying with the requirements of Government Code section 54953(b)(3) when the following conditions are in place:

- A state of emergency proclaimed by the Governor pursuant to Government Code section 8625 is in effect; and
- State or local officials have imposed or recommended measures to promote social distancing.

WHEREAS, such conditions are currently in place for the Board and its legislative bodies, which operate in Stanislaus County:

- On March 4, 2020, Governor Gavin Newsom proclaimed a State of Emergency for the State of California pursuant to the California Emergency Services Act (Gov. Code § 8625) based on an outbreak of respiratory and other illness due to the novel coronavirus known as COVID-19. That State of Emergency has been extended three times, including by Executive Order N-21-21 signed by Governor Newsom on November 10, 2021, which extends emergency provisions through March 31, 2022.

- On September 22, 2021, the Public Health Officer for Stanislaus County issued a recommendation stating: “I recommend that physical/social distancing measures be practiced throughout our Stanislaus County communities to minimize the spread of COVID-19, including implementation of the newly enacted AB 361 to maintain social distancing by legislative bodies of our local agencies. This recommendation is made due to the continued threat of COVID-19 in the community. I will continue to evaluate this recommendation on an ongoing basis and will communicate when there is no longer such a recommendation.”

WHEREAS, Government Code section 54953(e) allows local government entities such as the Board and its legislative bodies to conduct meetings when a state of emergency is in place without complying with the requirements of Government Code section 54953(b)(3), as long as such entities instead comply with the requirements of Government Code section 54953(e)(2);

WHEREAS, StanCERA’s offices, including its boardroom, are not large enough to accommodate the COVID-19 social distancing measures recommended by the Centers for Disease Control and others if members of the public were to attend StanCERA Board and/or committee meetings in person; and

WHEREAS, to ensure that the public retains access to StanCERA Board and committee meetings during this state of emergency, StanCERA will post each Board or committee agenda on the StanCERA website and at its business office location at least 72 hours prior to the meeting, and such agenda will describe the means by which members of the public may access the meeting and offer public comment. In addition, persons requiring accommodations are asked to contact StanCERA prior to the meeting.

NOW, THEREFORE, BE IT RESOLVED that:

Section 1. Recitals. The Recitals set forth above are true and correct and are incorporated into this Resolution by this reference.

Section 2. Acknowledgment of Proclamation of Emergency and Local Orders. The Board hereby acknowledges that a state of emergency has been proclaimed by the Governor of the State of California effective as of its issuance date of March 4, 2020, that the state of emergency has been extended through at least March 31, 2022, and that on September 22, 2021 the Stanislaus County Public Health Office recommended that physical and social distancing measures, including holding meetings via teleconference pursuant to AB-931, be practiced throughout the County.

Section 3. Remote Teleconference Meetings. The StanCERA Retirement Administrator and his designee(s) and the legislative bodies of StanCERA are hereby authorized and directed to take all actions necessary to carry out the intent and purpose of this Resolution, including conducting open and public meetings in accordance with Government Code section 54953(e) and other applicable provisions of the Brown Act.

Section 4. Effective Date of Resolution. This Resolution shall take effect immediately upon its adoption and shall be effective until January 13, 2022.

Section 5. Reconsideration of Circumstances Every 30 Days. Government Code section 54953(e)(3) requires that the Board periodically recertify its decision to continue to hold remote teleconference meetings; in order to do so, the Board must reconsider the circumstances of the state of emergency and make findings by majority vote as are necessary to continue to hold remote teleconference meetings. The Board will complete such recertification every 30 days or at each Board meeting following adoption of this Resolution, until Government Code section 54953 sunsets by operation of law on January 1, 2024 or there is no longer a state of emergency in effect.

The foregoing Resolution was adopted by the Board of Retirement upon motion of Board member _____, seconded by Board member _____, at a regular meeting of this Board held on December 14, 2021, by the following vote:

Ayes:

Nays:

Absent:

Abstain:

STANISLAUS COUNTY EMPLOYEE RETIREMENT ASSOCIATION

Jeff Grover, Chair of the Board of Retirement

Kellie Gomes, Clerk of the Board of Retirement

APPROVED AS TO FORM:

APPROVED AS TO CONTENT:

Fred A. Silva, General Counsel

Rick Santos, Executive Director

BOARD OF RETIREMENT MINUTES November 23, 2021

1. Call Meeting to Order
2. Pledge of Allegiance
3. Roll Call

Trustees Present

Jeff Grover-Chair
Mike Lynch,
Sam Sharpe,
Mandip Dhillon
Michael O'Neal

Present by Conference Call:

Darin Gharat,
Joshua Clayton
Rhonda Biesemeier

Trustees Absent: Donna Riley-Vice Chair, Terry Withrow,

Others Present

Rick Santos, Executive Director
Stan Conwell, Retirement Investment Officer
Kellie Gomes, Executive Board Assistant
Brittany Atkins-Smith, Fiscal Services Manager

Natalie Davis, Part time, Fiscal Services Manager
Fred Silva, General Legal Counsel
Daniel Hennessy, NEPC Investment Consultant

4. Announcements
5. Public Comment
6. Consent Items
 - a. Emergency Declaration - AB-361
 - b. Approval of the October 27, 2020 Meeting Minutes
 - c. Information Technology Solutions (ITS) Project Update
 - d. Applications for Service Retirement(s) – **Government Code Sections 31499.14, 31670, 31662.2, 31810 31700** See attachment for details.
 - e. Investment Matrix
 - f. Annual Shortfall Report

Motion was made by Trustee Gharat and seconded by Trustee Dhillon

Roll Call Vote was as follows:

| | | | |
|-----------------|-----|----------------------------|-----|
| Trustee Grover | YES | Trustee Dhillon | YES |
| Trustee O'Neal | YES | Darin Gharat | YES |
| Trustee Sharpe | YES | Motion carried unanimously | |
| Trustee Clayton | YES | | |
| Trustee Lynch | YES | | |

7. NEPC – Investment Consultant

- a. October Flash Report
- b. Investment Performance 2021 Quarter 3

8. Administrative

- a. StanCERA Office Build Out

Motion was made by Trustee Gharat and seconded by Trustee O'Neal to accept staff recommendation to enter into an agreement with Menghetti Construction, Inc. and Warden's (office Supply) and approve an additional allocation of \$312,000 to complete StanCERA's office buildout and cubicle redesign.

Roll Call Vote was as follows:

| | | | |
|-----------------|-----|----------------------------|-----|
| Trustee Grover | YES | Trustee Lynch | YES |
| Trustee O'Neal | YES | Trustee Dhillon | YES |
| Trustee Sharpe | YES | Darin Gharat | YES |
| Trustee Clayton | YES | Motion carried unanimously | |

9. STANDING COMMITTEES

- a. Internal Governance Committee

1. The June 30, 2021 and 2020 Annual Comprehensive Financial Report (ACFR) and Independent Auditor Report

Motion was made by Trustee Sharpe and seconded by Trustee Lynch to accept the June 30, 2021 and 2020 Annual Comprehensive Financial Report (ACFR) and the Independent Auditor Report as presented.

Roll Call Vote was as follows:

| | | | |
|-----------------|-----|----------------------------|-----|
| Trustee Grover | YES | Trustee Lynch | YES |
| Trustee O'Neal | YES | Trustee Dhillon | YES |
| Trustee Sharpe | YES | Darin Gharat | YES |
| Trustee Clayton | YES | Motion carried unanimously | |

10. Closed Session

- a. Conference with Legal Counsel – Pending Litigation – One (1) Case:
O'Neal et al v. Stanislaus County Employees' Retirement Association
Stanislaus County Superior Court Case No. 648469
Government Code Section 54956.9(d)(1)
- b. Conference with Legal Counsel – Pending Litigation – One (1) Case:
Stanislaus County Employees' Retirement Association v. Buck Consultants,
LLC, Mediation Pursuant to Evidence Code Sections 1115, 1119, 1152
Government Code Section 54956.9d)(4)

No closed session Items were heard at this meeting

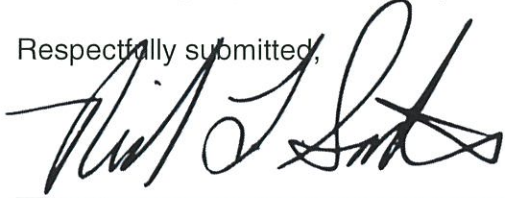
12. Members' Forum (Information and Future Agenda Requests Only)

None

13. Adjournment

Meeting adjourned at 2.25 p.m.

Respectfully submitted,



Rick Santos, Executive

APPROVED AS TO FORM

By 
Fred Silva, GENERAL LEGAL COUNSEL

StanCERA Applications for Service Retirement(s) Government Code Sections 31499.14, 31670, 31662.2, 31810 & 31700

1. Andrews, Sharon - Stanislaus County - Effective 12/04/2021
2. Blair, Cathy - Stanislaus County - Effective 12/02/2021
3. Damas, Jeremy - City of Ceres - Effective 12/31/2021
4. Forehand, Lyle - Stanislaus County - Effective 12/30/2021
5. Garza, Esmeralda - Stanislaus County - Effective 12/18/2021
6. Henson, Candice - Stanislaus County - Effective 12/04/2021
7. Kniess, Donna - Stanislaus County - Effective 12/31/2021
8. Low, Carolyn - Stanislaus County - Effective 12/02/2021
9. Lucero, Elisa - Stanislaus County - Effective 12/04/2021
10. Lutman, Debra - Stanislaus County - Effective 12/02/2021
11. Mc Kinney, Lori - Stanislaus County - Effective 12/18/2021
12. Merfalen, Josephine - Stanislaus County - Effective 12/31/2021
13. Nan, Donna - Stanislaus County - Effective 12/04/2021
14. Rahn, Diane - Stanislaus County - Effective 12/04/2021
15. Roelle, Merry - Stanislaus County - Effective 12/03/2021
16. Saini, Paul - Stanislaus County - Effective 12/04/2021
17. Turner, Terry - City of Ceres - Effective 12/25/2021

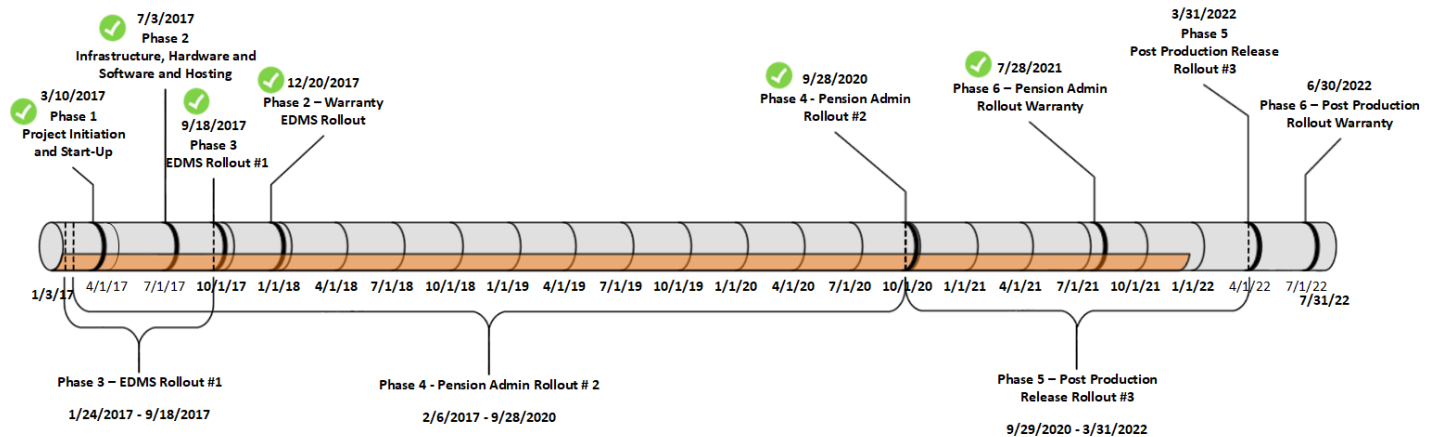
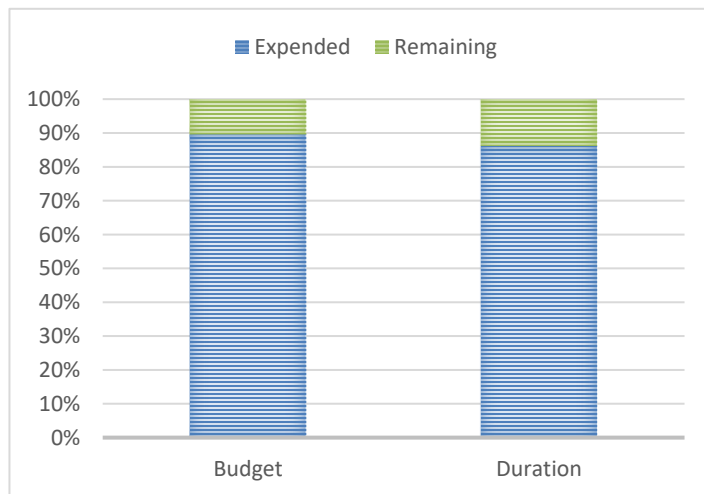
PAS IMPLEMENTATION LINEA BI-WEEKLY STATUS UPDATE


SPONSOR:

Rick Santos

REPORT DATE:

12-10-2021


Baseline 12/01/2016
STATUS


Linea Budget as of 11/30/2021

Risks & Issues:

There are currently not any significant project risks or issues. The project team continues to monitor the following:

- City of Ceres payroll system implementation
- Final IRS W-4P changes, if any.

Accomplishments:

- StanCERA and Linea completed testing on new functionality and resolved PIRs to be included in the R27 release.
- The project team made a “go” decision for the R27 production release following analysis of testing results.

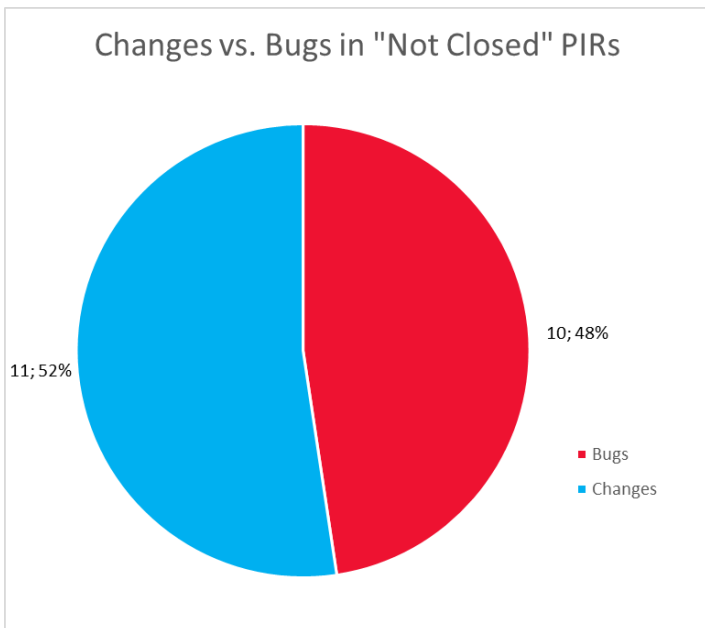
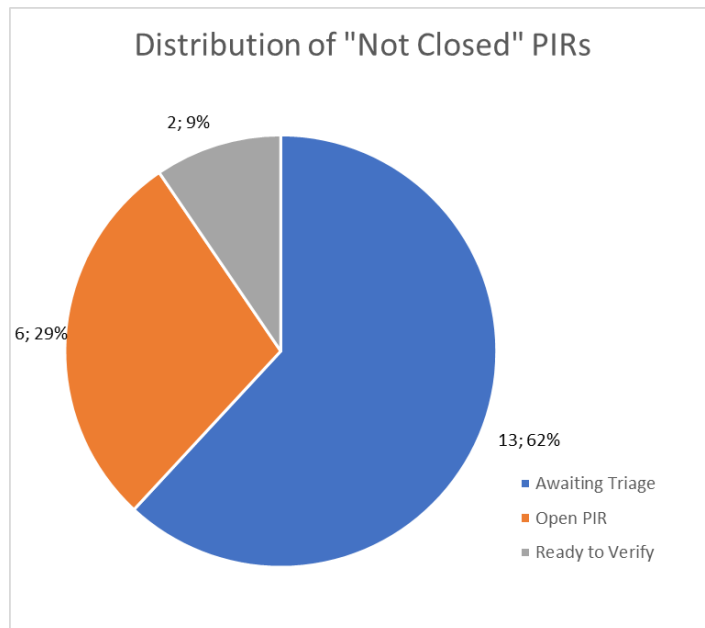
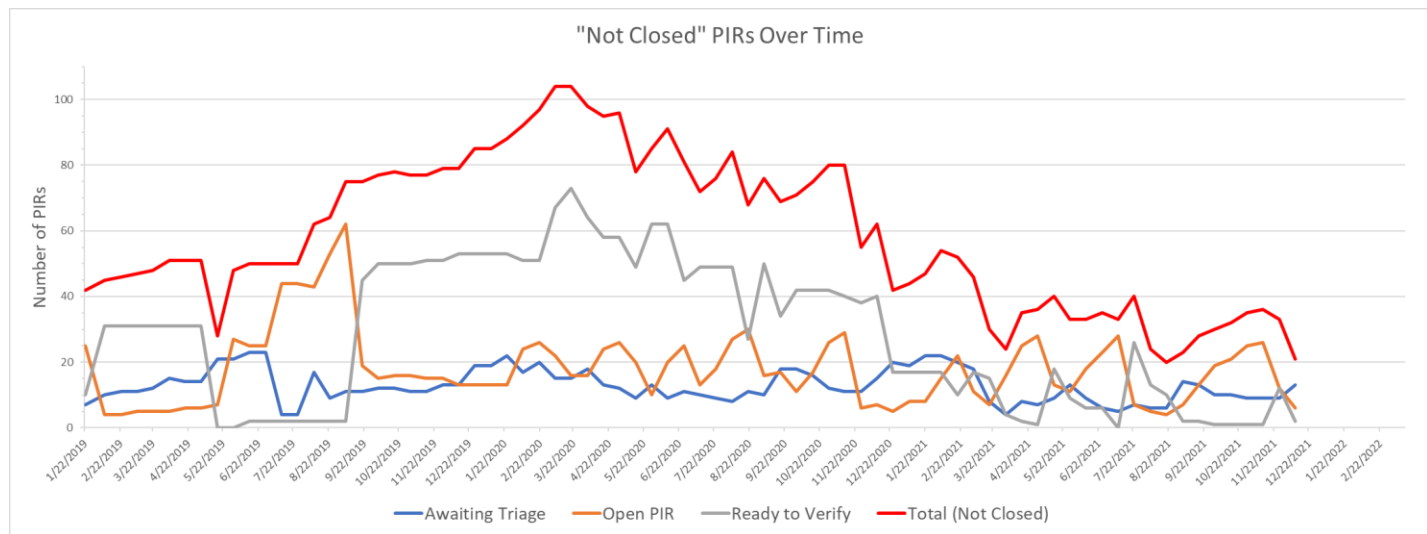
Upcoming:

- Further testing of new Member Web Portal features and planning for Portal rollout process and user registrations.
- Completion of R27 production release on 12/11/2021, to be available for StanCERA’s use on 12/13/2021.
- Determination of remaining project timeline, including content and release dates for R28.

Ongoing Project Contributions

- Facilitate weekly Project Manager's meetings and create meeting minutes.
- Facilitate monthly Steering Committee Meetings and create meeting minutes.
- Participate in Tegrit work sessions, review meeting minutes, and compile resulting decision logs and action items.
- Regularly review action items for follow up and completion.
- Review and hold group review sessions for BSRD deliverables made by Tegrit.
- Track requirements, as discussed in work sessions and BSRDs, using the RTM and meet with StanCERA PM to update requirements confirmation.
- Manage and participate in system testing efforts, including review of test scripts, compiling of results, input of PIRs, and tracking of issue resolution.

Current PIR Summary



December 14, 2021

Retirement Board Agenda Item

TO: Retirement Board

FROM: Stan Conwell, Retirement Investment Officer

I. SUBJECT: Investment Matrix

II. ITEM NUMBER: 7.d

III. ITEM TYPE: Information Only

IV. STAFF RECOMMENDATION: N/A

V. ANALYSIS:

a) *Investment Program Activities & Governance:*

A rebalance of the portfolio began in October and continued into November. The latest rebalance is the third and final phase of the rebalance plan presented to the Board in January. The Russell 1000 Growth fund had appreciated since January, so it was trimmed back to target as part of the rebalance. No additional rebalance activity is planned. Staff is focusing much of the remaining time in 2021 to complete the investment procedures project that are part of the StanCERA's strategic goals. Grandview Partners II formed its Limited Partner Advisory Committee (LPAC) and StanCERA was appointed to be a member of that committee. Staff also worked on various legal and database related projects.

b) *Money Transfer Report:*

November

| From | | | To | | |
|-------------------|---------------|------------------|---------------------------------|------------------------|-----------------|
| Manager | Asset Class | Amount | Manager | Asset Class | Amount |
| PanAgora | Risk Parity | \$-4,000,000.00 | StanCERA Cash | Cash | \$4,000,000.00 |
| PanAgora | Risk Parity | \$-27,000,000.00 | Invesco Global Targeted Returns | Liquid Absolute Return | \$27,000,000.00 |
| PanAgora | Risk Parity | \$-25,000,000.00 | NTAM Infrastructure | Infrastructure | \$25,000,000.00 |
| BlackRock Russell | Public Equity | \$-10,000,000.00 | NT Long-Term Government Bond | Treasury Bonds | \$10,000,000.00 |

| | | | | | |
|-------------------------------|---------------|------------------|---------------------------------|----------------|-----------------|
| 1000 Growth | | | | | |
| BlackRock Russell 1000 Growth | Public Equity | \$-10,000,000.00 | NT Intermediate Government Bond | Treasury Bonds | \$10,000,000.00 |
| NT Russell 3000 | Public Equity | \$-1,125,000.00 | Insight Partners XI, LP | Private Equity | \$1,125,000.00 |
| StanCERA Cash | Cash | \$-4,740,863.00 | Grandview Partners II | Real Estate | \$4,740,863.00 |
| StanCERA Cash | Cash | \$-2,233,440.00 | Grandview Partners II | Real Estate | \$2,233,440.00 |
| BlackRock US Real Estate | Public Equity | \$-7,000,000.00 | StanCERA Cash | Cash | \$7,000,000.00 |
| NT Russell 3000 | Public Equity | \$-543,407.83 | Gryphon Partners VI, LP | Private Equity | \$543,407.83 |
| StanCERA Cash | Cash | \$-750,000.00 | SVSS V, LP | Private Credit | \$750,000.00 |

c) *Manager Meeting Notes:*

Medley Opportunity Fund II

Staff met with the lead portfolio manager at Medley for a call to review the recent activity of the fund and firm. The fund is continuing to wind down and realizations of the remaining investments have accelerated during the second half of the year. A few key assets, including a large equity position was fully liquidated. As you may recall, Medley requested an extension to the fund life that was approved by 100% of LPs and it's expected the fund will end on March 31, 2022. Medley has returned most of StanCERA's original \$30 million commitment and has about \$6 Million in remaining assets as of September 30, 2021. The Medley team expects to realize the substantial majority of the assets by the end of the fund life and any remaining assets will be placed in a liquidating trust. Medley the firm will likely also wind down next year as one of the main funds they manage has agreed to merge with Barings.

- VI. RISK: None
- VII. STRATEGIC PLAN: N/A
- VIII. ADMINISTRATIVE BUDGET IMPACT: NONE



Conference Summary

1. **Attendee Name:** Rhonda Biesemeier
2. **Event Name:** SACRS 2021 FALL CONFERENCE
3. **Event Date:** November 9 - November 12, 2021
4. **Event Location:** Hollywood, CA

5. **Describe what was good about the event:**

As always, SACRS provides top-notch speakers and topics pertinent to Retirement Funds. I like the mix of General and Breakout Sessions. In addition, the opportunities for networking are abundant. I always come home with, at minimum, some tidbit of information that I didn't have before. I was especially interested in the sessions about "Transitioning to a Low Carbon Economy" and "Mega Trends Impacting Urban Real Estate". It sounds like there are a lot of exciting changes on the horizon.

6. **Would you recommend this event to other trustees/staff:**

Most definitely!

7. **Number of Education Credits:** 0



December 14, 2021

Retirement Board Agenda Item

TO: Retirement Board

FROM: Kellie Gomes, Executive Board Assistant

- I. SUBJECT: StanCERA Retirement Board Meeting Dates
- II. ITEM NUMBER: 7.f
- III. ITEM TYPE: Consent
- IV. STAFF RECOMMENDATION: It is the recommendation of the Executive Director and Staff to continue to hold our Retirement Board Meetings on the 4th Tuesday of each month at 1:30pm, with the exception of the November and December meetings. We propose that we combine November and December's Board meeting and hold this combined meeting on the first Tuesday in the month of December.
- V. ANALYSIS: Taking into consideration the holidays in both November and December, the availability of the needed investment information for both monthly and quarterly reports, combined with Trustees' availability due to fall conferences, it is suggested that we combine these two meetings and hold them on the first Tuesday in December each year. This combination and date change will allow for more timely information to be reflected in the 3rd quarter report as well as allow trustees and staff to attend fall conferences/trainings without conflict.
- VI. RISK: NONE
- VII. ADMINISTRATIVE BUDGET IMPACT : NONE

December 14, 2021

Retirement Board Agenda Item

TO: Retirement Board

FROM: Rick Santos, Executive Director

- I. SUBJECT: Preliminary Results of the Triennial Experience Study and Actuarial Valuation
- II. ITEM NUMBER: 10.a
- III. ITEM TYPE: Information Only
- IV. STAFF RECOMMENDATION: None
- V. ANALYSIS: This agenda item focuses on the preliminary results of the 2019-2021 Actuarial Triennial Experience Study and the 2021 Actuarial Valuation. For background, every three years, the StanCERA actuary analyzes the prior 3 years of demographic data to determine whether any changes are warranted in the assumptions used to determine the funded status of the System and employer and employee contribution rates. Demographic data pertains to things such as rates at which members retire, terminate, go out on disability and refund. On the other hand, economic assumptions pertain to things such as investment return, inflation, cost of living adjustments and general wage increases.

As a reminder, the Board of Retirement already approved changes to the economic assumptions that also affect funded status and contribution rates. Namely, the Board adopted changes in price inflation, wage inflation, cost of living growth and payroll growth. These changes also resulted in a change to the overall discount rate (assumed rate of return) the actuary uses in the annual valuation. These particular changes will be discussed in more detail during the meeting.

Regarding the demographic changes emanating from the experience study, items of significant interest to the Board of Retirement tend to center around the Safety plan and include changes to assumptions relating to merit pay increases, ages at which deferred members tend to retire and rates of termination. These changes contributed to a substantial increase in the Safety rates of roughly 4.4%. However, they were offset in the aggregate by the changes in assumptions for General members.

Mortality and termination assumptions for this much larger pool of General Members caused contribution rates to decrease by approximately 1.9% (for general members) and the overall aggregate impact of the combined results (general and safety) resulted in a decrease of approximately 0.5%.

While the final results of the 2021 actuarial valuation (which sets contribution rates for fiscal year 2022-2023) are not included in this agenda item, the change in the overall employer contribution rate *prior* to the change in assumptions resulted in a decrease of around 0.7%.

Staff anticipates the actuary to bring back the final results of the experience study and actuarial valuation to the Board of Retirement for approval at its February meeting. Today, the intent of this item is to simply inform the Board of the preliminary results and give the opportunity to ask questions and request any changes before finalizing the results.

VI. RISK: None

VII. STRATEGIC PLAN: N/A

VIII. ADMINISTRATIVE BUDGET IMPACT: None

ITEM 10.a

2021 Preliminary Valuation and Experience Study Results

December 14, 2021

Graham Schmidt, ASA, FCA, MAAA, EA
Jonathan Chipko, FSA, MAAA, EA

- Preliminary 2021 Valuation Results Prior to Assumption Changes
 - Executive Summary and Highlights
 - Changes Since Last Valuation
- Historical Review
- Demographic Assumptions
- Review of Economic Assumptions
- Next Steps

Executive Summary (Prior to Assumption Changes)



Stanislaus County Employees' Retirement Association Summary of Key Valuation Results (in millions)

| Valuation Date Fiscal Year End | June 30, 2020 2022 | June 30, 2021 2023 | Absolute Change |
|--|-----------------------|-----------------------|--------------------|
| Actuarial Liability | \$ 3,028.6 | \$ 3,183.1 | \$ 154.5 |
| Actuarial Value of Assets* | <u>2,290.3</u> | <u>2,483.7</u> | <u>193.4</u> |
| Unfunded Actuarial Liability (Actuarial Value) | \$ 738.4 | \$ 699.4 | \$ (39.0) |
| Funding Ratio (Actuarial Value) | 75.6% | 78.0% | 2.4% |
| Market Value of Assets* | <u>2,182.2</u> | <u>2,707.3</u> | <u>525.1</u> |
| Unfunded Liability (Market Value) | \$ 846.5 | \$ 475.8 | \$ (370.7) |
| Funding Ratio (Market Value) | 72.1% | 85.1% | 13.0% |
| Net Employer Full Contribution Rate | 33.20% | 32.51% | -0.69% |

* Net of non-valuation reserves

- Investment return on the market value of assets was 25.40%, net of all investment expenses, compared to the 7.00% assumed rate of return
 - The approximate return is computed using an assumption that cash flows occur mid-year, on average. May not match actual time- or money-weighted returns provided by investment consultant.
- Actuarial (i.e. smoothed) return on assets was 9.8%, which resulted in a \$65.7M gain and decreased the contribution rate by 1.88% of pay
 - There are approximately \$224M in deferred asset gains not yet recognized in the smoothed asset value
- FY20-21 actuarial cost was more than the actual contribution by \$6.6M (due primarily to one-year lag in implementation of rates), increasing the contribution rate by 0.20% of pay

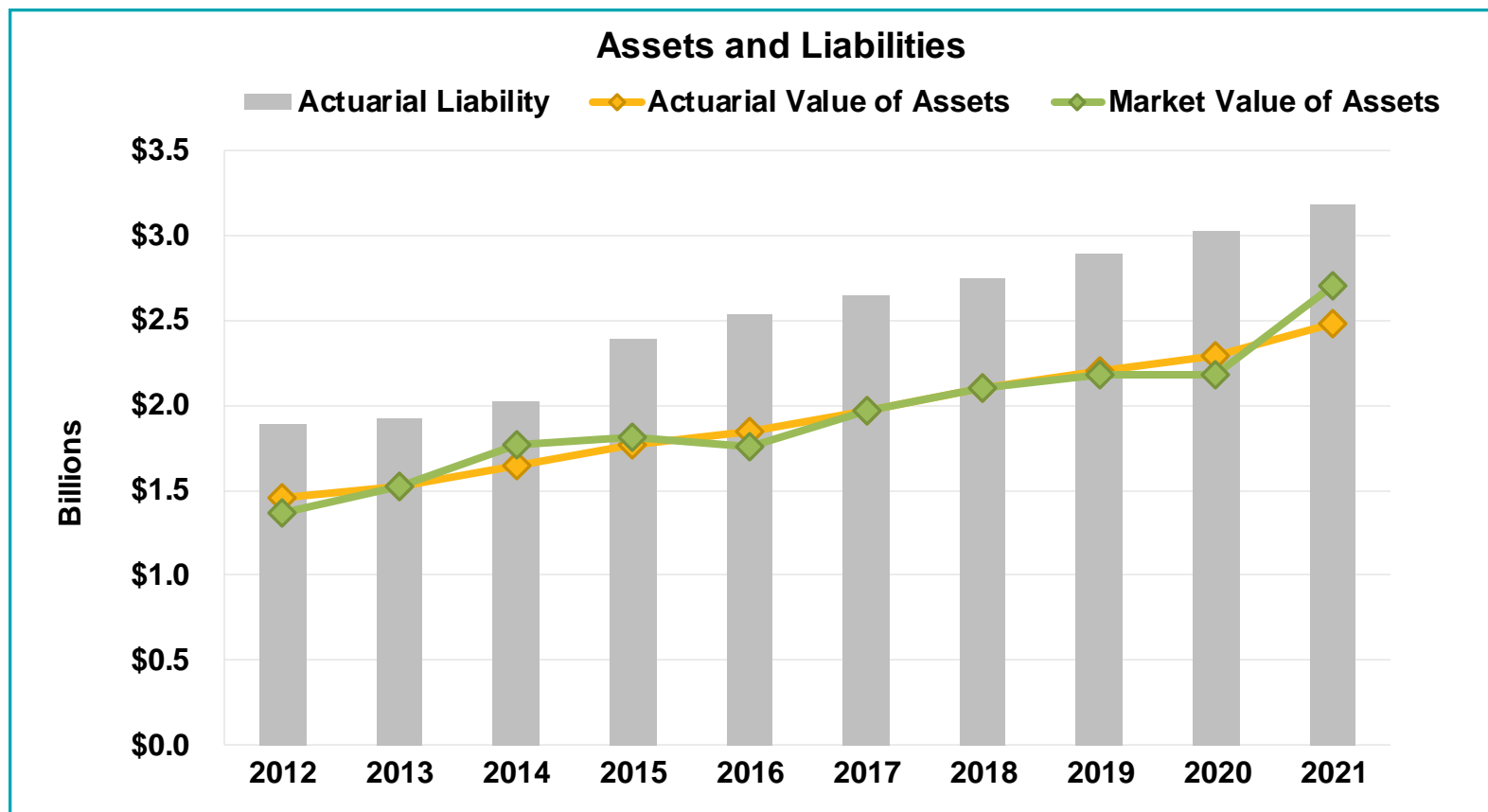
- Net impact of all other changes, including salary and demographic changes, increased the contribution rate by 0.99% of pay
 - Losses from new retirements, retiree COLA and individual pay increases higher than expected (approximately \$33.0M in net liability losses or 0.94% of pay)
 - Offset by reduction in employer normal cost rate of 0.13% of pay, due to movement of new hires into PEPRAs tiers
 - Because overall payroll grew less than the assumption (2.11% vs. 3.00% assumed) UAL and admin expense rate increased by 0.18% of pay, but no impact on dollar amount
- Amortization period for the UAL has dropped to 15 years
 - Plan no longer experiences “negative amortization” (i.e. the payment on the unfunded is more than the interest on the UAL)
 - Board adopted a layered amortization policy for changes in UAL after 6/30/2021
 - Future changes will be amortized over new closed 20-year periods



Stanislaus County Employees' Retirement Association Employer Contribution Reconciliation

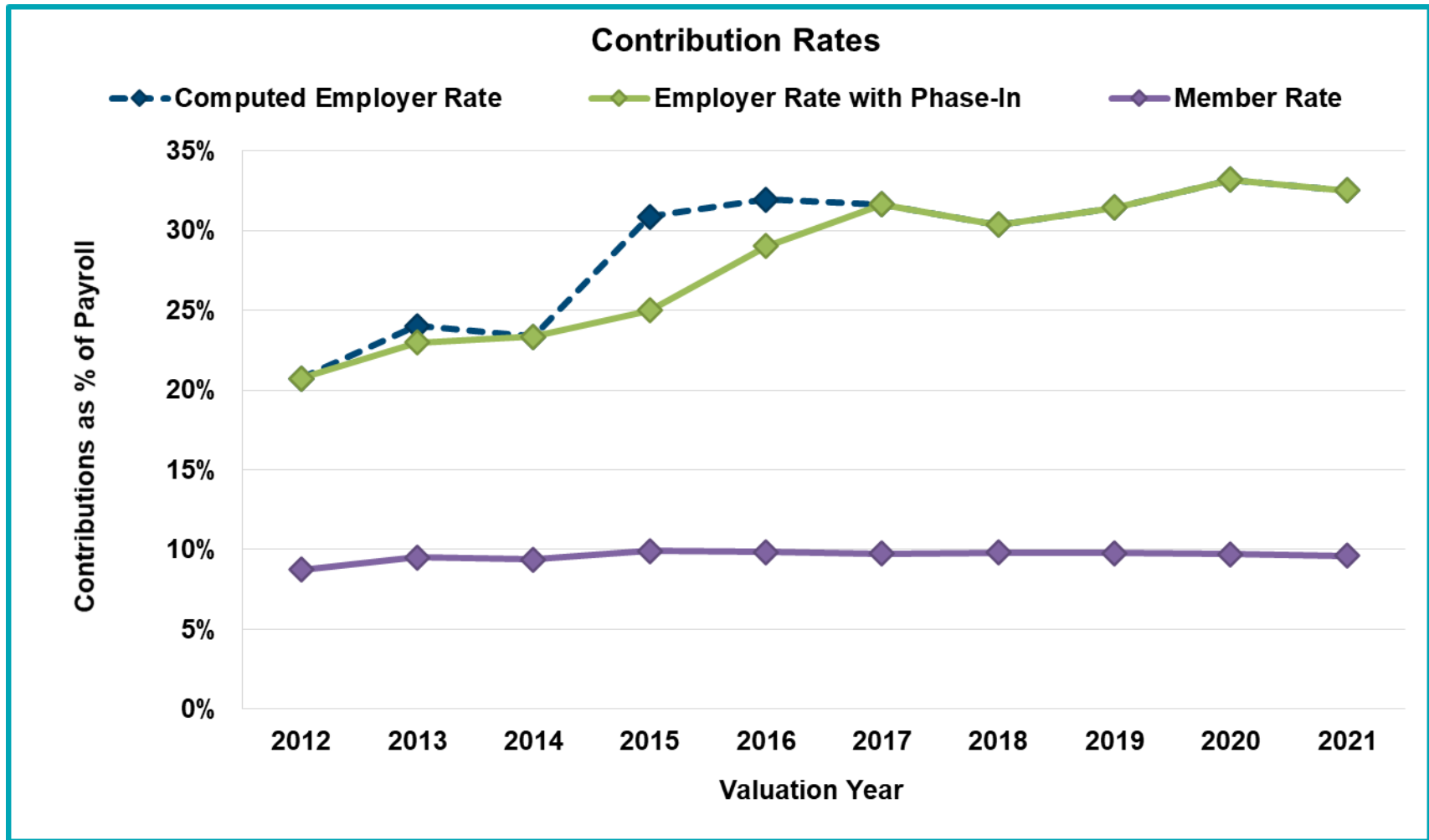
| | Total | Normal Cost | Amortization | Admin Exp |
|---|--------------|--------------|--------------|--------------|
| FYE 2022 Net Employer Contribution Rate | 33.20% | 11.40% | 20.81% | 0.99% |
| Change Due to Asset Gain | -1.88% | 0.00% | -1.88% | 0.00% |
| Change Due to Contribution Deficit | 0.20% | 0.00% | 0.20% | 0.00% |
| Change Due to Demographic Changes | 0.81% | -0.13% | 0.94% | 0.00% |
| Change Due to Effect of Payroll on Amortization | <u>0.18%</u> | <u>0.00%</u> | <u>0.17%</u> | <u>0.01%</u> |
| Total Change | -0.69% | -0.13% | -0.57% | 0.01% |
| FYE 2023 Net Employer Contribution Rate | 32.51% | 11.27% | 20.24% | 1.00% |

Historical Review (Prior to Assumption Changes)



| Valuation Year | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|----------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Funded Ratio | 76.9% | 79.4% | 81.1% | 73.7% | 72.8% | 74.3% | 76.4% | 75.9% | 75.6% | 78.0% |
| UAL (Billions) | \$0.44 | \$0.40 | \$0.38 | \$0.63 | \$0.69 | \$0.68 | \$0.65 | \$0.70 | \$0.74 | \$0.70 |

Historical Review (Prior to Assumption Changes)



- Overview
- Mortality
- Merit Salary Increases
- Decrements
 - Retirement
 - Termination
 - Disability
- Terminal Pay Load
- Other Assumptions

- Experience study is performed every three years
- Presentation provides an overview of the preliminary demographic assumption analysis and review of economic assumptions adopted earlier this year
 - Additional data and analysis will be included in final experience study report
 - Incorporated 2015-2018 experience from the previous study for more robust data analysis for demographic assumptions
 - In some cases – such as mortality – included information back to 2009
 - This presentation is intended to capture the most important findings
- The assumptions adopted based on this experience study will be used for the 2021 through 2023 actuarial valuations, unless modified by future Board action

- Key findings and recommendations
 - Adopt new CalPERS mortality tables (with appropriate adjustments) and adopt new - less conservative - mortality improvement assumption
 - Increases to Safety merit and longevity salary assumptions; no changes to General
 - Minor adjustments recommended for retirement and termination rates; no changes to disability rates
 - Reduce assumed deferral age for Tier 4/5 Safety members
 - Increase terminal/vacation pay load (close to former level)
 - Minor changes to other assumptions (percent married, termination type)

- Key findings and recommendations
 - Overall, the recommended demographic changes would decrease the total contribution rate (employee + employer) by about 1.1% of pay for the 2021 valuation
 - Increase for Safety of almost 3.5% of pay, decrease for General of about 2.4% of pay
 - Net impact after including economic assumption changes (including reduction in discount rate to 6.75% and inflation to 2.50%) is a decrease in the total contribution rate of about 0.5% of pay
 - Safety employees will likely see an increase in member rates, since normal cost increasing by over 2.3% of pay, but impact will be different for each Tier (and entry age, for Legacy members)

Review of Economic Assumptions



| Assumption | 6/30/2020 Valuation | 6/30/2021 Valuation* |
|-----------------|------------------------|-------------------------|
| Nominal Return | 7.00% | 6.75% |
| Price Inflation | 2.75% | 2.50% |
| Real Return | 4.25% | 4.25% |
| Wage Inflation | 3.00% | 2.75% |
| Payroll Growth | 3.00% | 2.75% |
| COLA Growth | 2.60% | 2.40% |

* As adopted by the Board at the April 27, 2021 meeting

Impact Based on Preliminary 2021 Valuation Results



Stanislaus County Employees' Retirement Association Assumptions Changes Impact (Employee + Employer)

| | Gross Normal Cost % | Amortization of UAL % | Gross Contribution |
|------------------------------------|------------------------|--------------------------|-----------------------|
| Aggregate | | | |
| Economic | 0.15% | 0.48% | 0.63% |
| Mortality | -0.25% | -1.61% | -1.86% |
| Merit Pay | 0.32% | 0.26% | 0.58% |
| Reciprocity | 0.08% | -0.08% | 0.00% |
| Deferral Age | 0.07% | 0.16% | 0.23% |
| Family Composition | -0.07% | -0.11% | -0.18% |
| Vacation Pay | 0.14% | 0.46% | 0.60% |
| Termination | -0.35% | -0.05% | -0.40% |
| Retirement | -0.02% | -0.08% | -0.10% |
| TOTAL IMPACT OF ALL CHANGES | 0.07% | -0.57% | -0.50% |

Results on this slide are preliminary and subject to review.

Calculations based on the data, methods, assumptions and provisions outlined in our forthcoming June 30, 2021 Actuarial Valuation Report.

Impact Based on Preliminary 2021 Valuation Results



Stanislaus County Employees' Retirement Association Assumptions Changes Impact (Employee + Employer)

| | Gross Normal Cost % | Amortization of UAL % | Gross Contribution |
|---|------------------------|--------------------------|-----------------------|
| General | | | |
| Economic | 0.13% | 0.43% | 0.56% |
| Mortality | -0.28% | -1.73% | -2.01% |
| Merit Pay | 0.00% | 0.00% | 0.00% |
| Reciprocity | 0.04% | -0.09% | -0.05% |
| Deferral Age | 0.00% | 0.00% | 0.00% |
| Family Composition | -0.02% | -0.04% | -0.06% |
| Vacation Pay | 0.15% | 0.47% | 0.62% |
| Termination | -0.54% | -0.08% | -0.62% |
| Retirement | -0.05% | -0.26% | -0.31% |
| Impact of All Changes to General | -0.57% | -1.30% | -1.87% |

Results on this slide are preliminary and subject to review.

Calculations based on the data, methods, assumptions and provisions outlined in our forthcoming June 30, 2021 Actuarial Valuation Report.

Impact Based on Preliminary 2021 Valuation Results



Stanislaus County Employees' Retirement Association Assumptions Changes Impact (Employee + Employer)

| | Gross Normal Cost % | Amortization of UAL % | Gross Contribution |
|--|------------------------|--------------------------|-----------------------|
| Safety | | | |
| Economic | 0.23% | 0.65% | 0.89% |
| Mortality | -0.14% | -1.17% | -1.31% |
| Merit Pay | 1.44% | 1.17% | 2.60% |
| Reciprocity | 0.22% | -0.05% | 0.17% |
| Deferral Age | 0.29% | 0.73% | 1.02% |
| Family Composition | -0.22% | -0.36% | -0.58% |
| Vacation Pay | 0.13% | 0.41% | 0.54% |
| Termination | 0.26% | 0.08% | 0.34% |
| Retirement | 0.13% | 0.55% | 0.68% |
| Impact of All Changes to Safety | 2.34% | 2.01% | 4.35% |

Results on this slide are preliminary and subject to review.

Calculations based on the data, methods, assumptions and provisions outlined in our forthcoming June 30, 2021 Actuarial Valuation Report.

- Board to provide direction to Actuary on assumptions to use to complete actuarial valuation
- Finalize Actuarial Valuation results
 - Compute impact of assumption changes on employee and employer rates
 - Results shown in this presentation are preliminary (proceeding with peer review)
 - Present results by Tier and General / Safety
- Finalize Experience Study report
 - Provide detailed analysis of experience and recommendations
- Adopt June 30, 2021 Actuarial Valuation and FYE 2023 Contribution Rates

Required Disclosures



The purpose of this presentation is to present the preliminary results of the annual actuarial valuation and experience study of the Stanislaus County Employees' Retirement Association. This presentation is for the use of the Stanislaus County Employees' Retirement Board in accordance with applicable law.

In preparing our presentation, we relied on information (some oral and some written) supplied by the Stanislaus County Employees' Retirement Association. This information includes, but is not limited to, the plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23.

This presentation and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices and our understanding of the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board as well as applicable laws and regulations. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this presentation. This presentation does not address any contractual or legal issues. We are not attorneys, and our firm does not provide any legal services or advice.

Cheiron utilizes ProVal, an actuarial valuation application leased from Winklevoss Technologies (WinTech), to calculate liabilities and project benefit payments. We have relied on WinTech as the developer of ProVal. We have reviewed ProVal, have a basic understanding of it, and have used it in accordance with its original intended purpose. We have not identified any material inconsistencies in assumptions or output of ProVal that would affect this report.

Future results may differ significantly from the current results presented in this presentation due to such factors as the following: plan experience different from that anticipated by the assumptions; changes in assumptions; and changes in plan provisions or applicable law.

This presentation was prepared exclusively for the Stanislaus County Employees' Retirement Board for the purpose described herein. This presentation is not intended to benefit any third party, and Cheiron assumes no duty or liability to any such party.

The actuarial assumptions, data and methods are those that will be used in the preparation of the actuarial valuation report as of June 30, 2021.

Graham Schmidt ASA, FCA, MAAA, EA
Consulting Actuary

Jonathan Chipko, FSA, MAAA, EA
Consulting Actuary



Classic Values, Innovative Advice

December 14, 2021

December 14, 2021

Retirement Board Agenda Item

TO: Retirement Board

FROM: Fred A. Silva, StanCERA General Counsel
Rick Santos, Executive Director
Brittany Smith-Atkins, Fiscal Services Manager

- I. SUBJECT: A Resolution of the Board of the Stanislaus County Employees' Retirement Association to facilitate the transfer of funds to The Northern Trust Company and utilize The Northern Trust Company's banking and depository services.
- II. ITEM NUMBER: 10.b
- III. ITEM TYPE: Discussion and Action
- IV. STAFF RECOMMENDATION: Approve Resolution of the Board of Stanislaus County Employees' Retirement Association which facilitates the transfer of funds to The Northern Trust Company and utilize its banking and depository services. In addition, this resolution authorizes the specified designees to open StanCERA's account and authorizes the designees to deposit funds as well as approve the payment of funds.
- V. ANALYSIS: On September 28, 2021, the Board of Retirement for the Stanislaus County Employees' Retirement Association voted to accept staff's recommendation to use The Northern Trust Company to provide treasury management services including but not limited to banking services and account deposits. Since approval, Staff has worked closely with The Northern Trust Company to facilitate the transition. To continue and complete this transition, the Board must complete additional administrative tasks including the designation of authorized signatories. Staff recommends appointing the Executive Director and Fiscal Services Manager as designees to the account. This resolution shall be in effect until repealed by written notice.
- VI. RISK: None
- VII. STRATEGIC PLAN: N/A
- VIII. ADMINISTRATIVE BUDGET IMPACT: None

RESOLUTION NO. 2021-__

A RESOLUTION OF THE BOARD OF THE STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION TO FACILITATE THE TRANSFER OF FUNDS TO THE NORTHERN TRUST COMPANY AND UTILIZE THE NORTHERN TRUST COMPANY'S BANKING AND DEPOSITORY SERVICES

WHEREAS, on September 28, 2021, the Board of Retirement ("Board") for the Stanislaus County Employees' Retirement Association ("StanCERA") voted to accept staff's recommendation to use The Northern Trust Company (the "Bank") to provide treasury management services including but not limited to banking services and account deposits; and

WHEREAS, the Board must complete additional administrative tasks in order to facilitate the transfer of StanCERA funds to the Bank and utilize the Bank's services, including designating Bank as a depository in which StanCERA funds may be deposited and designating individuals as authorized signatories on StanCERA's behalf; and

WHEREAS, StanCERA is an unincorporated organization that operates for business purposes; and

WHEREAS, the recitals set forth above are true and correct and are incorporated into this Resolution by this reference;

NOW, THEREFORE, BE IT RESOLVED as follows:

1. RESOLVED, that The Northern Trust Company of Chicago, Illinois is designated a depository in which StanCERA funds may be deposited.
2. RESOLVED, that any of the below-listed designees ("Designees") is authorized for and on behalf of StanCERA to open an account or accounts with the Bank and to make such arrangements for the conduct thereof as they shall deem proper, and also that any of the below-listed Designees is authorized to deposit StanCERA funds in such account or accounts and to endorse for deposit or collection checks, drafts, notes, certificates of deposit, and like obligations:

| | |
|---------------------|---|
| StanCERA Designees: | 1. Richard Santos, Executive Director |
| | 2. Brittany Smith-Atkins, Fiscal Services Manager |
3. RESOLVED, that, notwithstanding the above identification of Designees, endorsements for deposit or collection may be by the written or stamped endorsement of StanCERA, without designation of the person making the endorsement.
4. RESOLVED, that the Bank is authorized to pay out funds on deposit with it to the credit of StanCERA, upon checks or other written, telephonic, electronic or oral orders for

the payment of money drawn upon the said depository, and signed in the name of StanCERA by any of the Designees identified above.

5. RESOLVED, that the Bank shall not in any way be responsible for, or have any obligation to inquire into, the circumstances of the issuance of any check or other order for the payment of money, or other instrument signed, as hereinabove provided, or the application, disposition, or use of any such check, order, or instrument, or the proceeds thereof, or of any of the funds deposited with it or borrowed from it herein provided; and shall honor, receive, certify and pay any and all checks and other orders for the payment of money and other instruments signed as aforesaid, whether or not payable or endorsed to the order of any Designee or any other officer or employee of this organization, and whether or not deposited to the individual credit of or used in payment of the individual obligation of, or tendered for cashing by any officer or other person signing or countersigning the same, or of or by any of the other officers or employees of this organization.

6. RESOLVED, that each of the aforementioned Designees is authorized without the concurrence of any officer or person:

- a. To identify, approve, and guarantee the endorsement of any payee or endorser of any checks or drafts drawn by this organization;
- b. To waive presentment, demand, protest and notice of dishonor or protest, and to give instructions in regard to the handling or delivery of any negotiable or non-negotiable papers or documents involved in any of said transaction; and
- c. To act for StanCERA in the transaction of all other business for its account(s) with the Bank.

7. RESOLVED, that the Clerk of the StanCERA Board shall file with the Bank a certified copy of this resolution, and also shall file with the Bank a list of the persons at that present time holding the offices above mentioned in this organization, and the Bank as against StanCERA shall be entitled to presume conclusively that the persons so certified as holding such offices respectively continue to hold the same until otherwise notified in writing by the Clerk of the Board, and said Clerk is authorized and directed to certify that the provisions hereof are in conformity with the bylaws and other rules of StanCERA.

8. RESOLVED, that this resolution shall be in full force and effect and binding upon this organization until it shall have been repealed, and until written notice of such repeal shall have been delivered to the Bank.

The foregoing Resolution, which is in conformity with StanCERA's bylaws and other rules, was adopted by the Board of Retirement upon motion of Board member _____, seconded by Board member _____, at a regular meeting of this Board held on December 14, 2021, by the following vote:

Ayes:

Nays:

Absent:

Abstain:

STANISLAUS COUNTY EMPLOYEE RETIREMENT ASSOCIATION

Jeff Grover, Chair of the Board of Retirement

APPROVED AS TO FORM:

Fred A. Silva, General Counsel

Kellie Gomes, Clerk of the Board of Retirement

APPROVED AS TO CONTENT:

Rick Santos, Executive Director